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**REPORT OF THE MANAGER**  
**OF THE**  
**FEDERAL CROP INSURANCE**  
**CORPORATION, 1951**

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**UNITED STATES DEPARTMENT OF AGRICULTURE**



# Report of the Manager of the Federal Crop Insurance Corporation, 1951

UNITED STATES DEPARTMENT OF AGRICULTURE,  
FEDERAL CROP INSURANCE CORPORATION,  
Washington, D. C., October 15, 1951.

HON. CHARLES F. BRANNAN,  
*Secretary of Agriculture.*

DEAR MR. SECRETARY: I present herewith the Annual Report of the Federal Crop Insurance Corporation for the fiscal year 1951. This report summarizes the Corporation's activities for the crop year 1950 and the early-season activities for the crop year 1951.

Sincerely yours,

F. B. NORTHRUP,  
*Acting Manager.*

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## ALL-RISK CROP INSURANCE

The objective of the Federal Crop Insurance Corporation, a Government corporation of and within the United States Department of Agriculture, is the development of a sound system of all-risk insurance protection on growing crops, which can be made available to farmers in all the important agricultural areas of the Nation.

The first venture of the United States Government into the field of all-risk crop insurance was in 1939 and grew out of a recognition of the vital need for this kind of insurance protection in a sound and healthy system of agriculture. There was at that time a frank

realization that the task would be difficult, with many problems to be overcome. At the same time there was a strong belief that such insurance, not available to farmers from private companies, would contribute much to the stability of farm economy and soften the impact of crop losses. The experience during the early years was costly. Indemnities paid out were high, but the experience gained became the foundation upon which to build the sounder and more conservative crop insurance program now in operation.

The magnitude of the job of providing farmers of the Nation with insurance protection on growing crops suggests that there are and will be many problems that the Corporation must solve before the objective is satisfactorily attained. However, experience in recent years indicates that such protection can be provided on a sound basis. This is apparent from a study of the experience of the Corporation for the 4-year period 1947-50, which shows indemnities paid farmers for crop losses have closely paralleled crop conditions, with premiums exceeding indemnities for that period.

Although the ultimate objective of providing crop insurance protection to farmers in all important farming areas is still far from a reality, progress is being made, and the end of 1951 finds that goal somewhat closer from the standpoint of the extent, as well as the soundness, of the entire operation. In the 1951 crop year insurance was provided on wheat in 356 counties, flax in 61, cotton in 101, tobacco in 69, corn in 98, beans in 29, multiple crops in 95, and citrus in 1—making a total of 810 county crop insurance programs in operation compared with 624 the previous crop year. Since, in all but the multiple-crop insurance counties, a program represents insurance on only one crop, it cannot be said that the goal has been reached in all of these counties. The location of the 810 counties for 1951 is shown in figure 1.

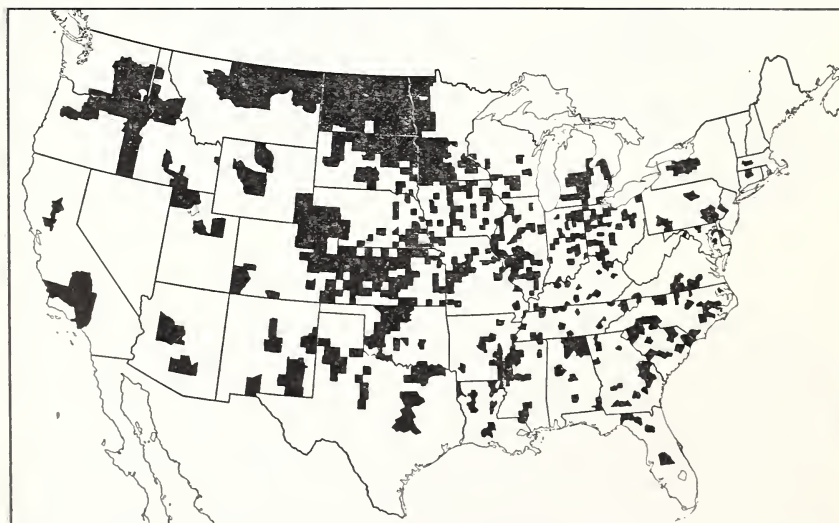


FIGURE 1.—Location of counties in which 1951 crop insurance programs are operating.

Not only does a sound system of crop insurance protection stabilize farm economy in times of peace but it also makes a significant contribution to the efforts of the Nation during periods of active defense or actual war. During such periods farmers are called on to plant and produce in accordance with specified needs which must be met as a part of the over-all national effort. It often involves the employment of additional labor, expanded acreages, greater mechanization and the adoption of improved techniques. All of these increase the out-of-pocket costs of production and may increase the farmer's use of credit. These factors make the farmer more vulnerable to the effects of crop failure and increase his need for crop insurance protection.

### Protection Provided

Under a Federal crop insurance policy a farmer is provided a specified amount of protection on his growing crops against unavoidable loss from such causes as drought, flood, windstorm, hail, freeze, insect infestation, and plant diseases. It insures a specified production, or coverage, and if loss due to unavoidable causes reduces the production below the guaranteed amount the farmer is indemnified for the difference. The policy also provides a measure of protection against loss of quality resulting from unavoidable causes.

Coverage under one type of contract is expressed as commodity units and under another as a monetary amount. The only difference in the two types of coverage is the time of converting commodity units to dollars. Under both types, the coverage is first established in terms of bushels or pounds, depending on the commodity insured. For commodity insurance the coverage remains in bushel or pound units at the time the insurance is offered to the farmer. If the production is less than the coverage, the difference, determined in bushels or pounds, represents the indemnity and is then converted to dollars on the basis of a price per bushel or pound stated in the policy.

In the case of monetary insurance the basic coverage or guaranteed production is converted to a monetary amount before the insurance is offered to the farmer. In computing the amount of loss to a farmer his production is valued at a price per commodity unit stated in the policy. This is usually the price which was used in converting the basic coverage from commodity units to dollars. If the monetary amount of the coverage exceeds the value of the production thus obtained, the difference is the indemnity due the farmer.

The amount of insurance or coverage under the insurance policy is limited by legislation to the cost of producing the crop in the general area. Insurance protection limited to the cost of production represents the most desirable type of insurance on growing crops, as the loss of a small part or even all of his profit is never as disastrous to a farmer as the loss of the money and labor invested in producing the crop. A level of protection which does not exceed the cost of production also lessens any "moral hazard" which may be present.

Since all of the costs of production are not incurred by a farmer when the crop is planted, which is the time insurance attaches, it follows that the insurance coverage should reflect a similar progression as the crop moves toward harvest. To accomplish this the coverage is arranged in various amounts corresponding to recognized

stages of production in the normal cultural practices for the crop. Only if the insured crop is harvested does it carry the maximum coverage under the policy. If it is destroyed earlier it carries the coverage applicable to the stage reached by the crop at the time of destruction.

The average coverage insured in a county is determined by the Corporation actuaries. Local people determine, within the limit of the county average coverage, the insurance coverage for different areas in the county, with land of similar productivity carrying the same amount of coverage per acre. These people are best able to perform this function since they are familiar with the variations in productivity which exist between different areas of a county.

### Premium costs

For the protection provided under a Federal crop insurance policy farmers pay a premium which reflects the risk of loss in producing the crop in the area. This premium cost is established for a county or a smaller area within a county at a rate which over a representative period of years is expected to provide premiums sufficient to cover losses paid in the county or area and to build a reasonable reserve against unforeseen losses. The very need for crop insurance protection suggests that premiums and indemnities will not balance every year, but that in years of good crops premium reserves will accumulate for use in paying losses when crop failure is so serious that indemnities exceed premiums. This principle of "the good years taking care of the bad years" is fundamental to a sound crop insurance program.

Operating costs are not included in the premiums farmers pay. At the time Congress enacted the legislation under which the program operates it was recognized that such a program of insurance protection for farmers would have a far-reaching effect on the public welfare and for this reason the Congress provided that the cost of operating the program would not be borne by the premiums paid by farmers but by direct appropriations.

### How it operates

Participation in the crop insurance program is optional with the individual farmer. He applies for insurance through the county office of the Production and Marketing Administration by filing a signed application before a specified date, which is prior to the normal planting time for the crop in the county. Applications are reviewed jointly by Corporation representatives and local people, who are responsible for the administration of the program, so as to identify and reject any applications involving undue risks. If an applicant is accepted as a policyholder in the county program, an insurance policy is issued to him. This policy continues in force from year to year unless canceled by either the farmer or the Corporation by a specified date prior to each crop year.

The protection is against unavoidable losses and the insurance period generally is from planting until harvest. The insured farmer is required to plant and care for the crop in accordance with good farming practices. The policy does not cover avoidable causes of

loss and specifically excludes protection against losses over which the farmer may exercise some control such as break-down of machinery, inability to obtain fertilizer, shortage of labor, or failure to follow recommended practices in the control of insects.

Federal crop insurance is sold on the basis of a stated amount of coverage per acre and a premium rate per acre, the total coverage and premium costs for an individual being dependent upon the acreage planted by him and his share in such acreage. An open note for the premium is a part of the application for insurance. Soon after the crop is planted each year, the insured farmer submits a report to the county office, showing the number of acres planted to the insured crop(s) and his share in the crop. If the premium is paid by a date specified in the policy, the insured farmer obtains a 5-percent discount. However, in order that a farmer's financial circumstances may not bar him from having insurance, the premium note referred to above matures about the time of harvest, making it possible for him to pay the premium from the proceeds of the crop. If the premium is not paid within a specified period after the note matures, an interest charge attaches.

The policy contains a provision that any time there is material damage to an insured crop and it is too late to replant the crop, the farmer will give notice of such damage to the county office so that an adjuster may visit the farm and inspect the damaged crop. If the crop is so badly damaged that it does not justify the farmer taking the crop to harvest, the acreage may be released by the Corporation. Any such acreage released before harvest by the Corporation has a lower coverage than harvested acreage, depending on the stage of production reached by the crop.

If after harvest is completed the farmer believes that he has sustained a loss under the contract, he reports that fact to the county office and the adjuster visits the farm to determine the amount of production and assist the insured in preparing a loss claim. In any case where the total production from the crop is less than the guaranteed coverage, due to insured causes, the insured farmer is indemnified for the difference.

### **Administrative Organization**

The primary responsibility for the operation of the crop insurance program is vested in the Federal Crop Insurance Corporation. This agency was set up as a corporation so that in the operation of the insurance program it would have the rights and responsibilities of private corporations filling essentially the same functions.

The program and administrative policies of the Federal Crop Insurance Corporation are determined by the board of directors, composed of Clarence J. McCormick, Under Secretary of Agriculture; Gus F. Geissler, Administrator of the Production and Marketing Administration; two members from the private insurance field not otherwise employed by the Government—James B. Cullison, Jr., of Chicago, Ill., and Clarence W. Swanebeck of Fenton, Mich.—and Fred B. Northrup, Acting Manager of the Corporation. Mr. Swanebeck has had wide experience in insurance and is at present secretary-treasurer and manager of a State-wide mutual fire insurance company

in Michigan. Mr. Cullison, with more than 30 years of private insurance experience, ranks among the country's top authorities on rain and hail insurance.

General executive direction and supervision of the insurance operations, the development of program provisions and establishment of coverages and rates are handled by the Washington office, consisting of the office of the Manager and six divisions—program development, underwriting, sales, claims, finance, and administrative. In the Manager's office, three area directors are responsible for coordinating and directing field activities in their areas. The Corporation has one branch office in Chicago which maintains program accounting records for each insured, computes premiums, bills the insureds and receives payment of premiums, approves and pays loss claims, and summarizes statistical data needed by the Washington office.

In line with the Department's policy of holding to a minimum the number of county offices with which farmers deal, the Production and Marketing Administration, through a cooperative agreement with the Corporation, has accepted the responsibility for carrying out much of the crop insurance work at the county level through its county committees. The PMA Administrator's office works with the Manager's office in formulating policies and supervising performance on crop insurance work for which the State and county PMA committees are responsible. The State PMA committee is responsible for the performance of county committees on crop insurance matters and cooperates with the State crop insurance director in the general administration of the program, including the selection of new counties and recommendations for program or administrative improvements.

The Corporation issues the instructions covering the various phases of program operations performed by PMA and transfers administrative funds to PMA for the supervision required and the actual work performed. Successful county programs require efficient and aggressive administration by the PMA county committee. They assist Corporation representatives in establishing the coverage and premium rate areas in the county, are responsible for presenting the program to farmers and building participation, obtaining acreage reports, collecting premiums, and relaying reports of damage or loss and inspection requests to Corporation representatives.

Loss adjustment work is handled by the Corporation's State crop insurance director and his personnel. There are 32 State crop insurance offices. A State director is in charge of each of these offices and is also responsible for general supervision of the program in his State. A corps of trained adjusters work under the direct supervision of the State director. At present there are 1,272 trained adjusters in all States who work on a per-diem basis as their services are needed for loss adjustments and inspections. State directors and their personnel assist PMA committees in carrying out their responsibilities. A few State offices serve more than one State. State directors handle problem cases and backstop all program operations in the State, including completion of any delinquent work in any phase of county administration.

## EXPANDING SERVICE OF CROP INSURANCE PROGRAMS

Service of the crop insurance program to individual farmers, their business communities and the Nation can be expanded in two ways—by extending the program to additional counties and by increasing the number of farmers in the county who make this basic crop investment protection an established part of their annual farming operations.

### Service to the Farmer

Crop insurance provides farmers the opportunity to have insurance of their investment in producing a crop comparable to the protection which has long been available on other capital investments from private insurance sources. It enables the farmer to plant, care for, and harvest a crop with the assurance that if crop failure strikes and robs him of the expected profit from the crop, he will not lose the money he has invested as well. The effect of such protection on the security and financial strength of the individual farmer is obvious. Crop insurance enables many farmers to stay in business when crop failure occurs, and it cushions the effect of crop failure on the credit and savings of others. Insurance indemnities are a healthy substitute for emergency and relief financing which otherwise may be necessary without crop insurance protection following severe crop losses.

Crop insurance makes a significant contribution to the credit standing of farmers. Through the use of the assignment provision of the contract, many policyholders are able to secure loans which otherwise would be difficult or impossible for them to obtain. Crop insurance policies are recognized as valuable collateral and are performing a rapidly expanding credit as well as insurance service for farmers.

### Effect on General Economy

Naturally, by contributing to the economic welfare of the individual farmer, crop insurance contributes directly to the stability of local business and to entire communities that are dependent upon farm income. This is being recognized by an increasing number of businessmen who are actively encouraging farmers, through their advertisements and personal contacts, to use this business protection. Whatever stabilizes the income of the farmer also stabilizes the income of the community that serves the farmer. The direct benefits to local businessmen from crop-investment protection extend on through the channels of trade to have a far-reaching effect on the Nation's economy.

Typical of the many counties where in 1950 the need and value of crop insurance protection was realized are Dane County, Wis., where 977 farmers were paid \$225,000 for corn losses due to early frost; DeKalb County, Ala., where as a result of excessive rainfall and insect infestation there were 4,473 cotton losses paid, amounting to \$730,000; Kandiyohi County, Minn., where 485 insured farmers received \$181,000 in indemnities as a result of early frost damage on crops covered under the multiple crop policy; and Custer County, Okla., where \$124,000 was paid 206 farmers for wheat losses due to insect damage.

The interdependence of agriculture and the business community makes clear the effect of these insurance indemnities not only on the farmers whose crops were destroyed but upon the businessmen who provide them with the supplies, services, and capital on which to operate.

### Participation

Full service from crop insurance is obtained by a farmer only by keeping its protection in force every year. The increasing number of farmers who are making crop insurance protection an established part of their farming operations and the amount of the acreage covered by insurance policies are the basic measures of progress in expanding the service of this farm program.

Since the farmer must pay for crop insurance protection, the key job in expanding the service of the program is obtaining among farmers an appreciation of the value of insurance as protection against losses that may occur. They must regard insurance as a part of sound business operations just as other businessmen do. A big problem to overcome in building participation is the tendency of many farmers to conclude that since they pay premiums for this protection their coverage should be so high that they will be sure to collect frequent indemnities. Until farmers clearly understand crop insurance as investment protection based on business principles, they do not become continuous policyholders with an active interest in the sound operation of their county program. Clear understanding of what they can fairly expect under an insurance program requires more than brief education and observation before the majority of farmers will pay an annual premium for crop insurance protection in the same manner as they pay for good seed.

It is to be expected that progress in building county programs will vary widely, and the experience of the Corporation bears this out. The best county programs have more than 95 percent of their potential participation while the poorest are below 10 percent of their potential. Attention is being directed to improving the administrative efficiency in the low-participation counties. The solution to this problem is one of finding and training capable people who understand the value of insurance themselves and can impart such understanding to others. With capable, well-trained personnel handling the insurance work in county offices, experience reveals that steady increase can usually be made in the percentage of participation in a county program each year.

Confidence of farmers that this crop insurance protection will continue to be available to them is, of course, a factor in building participation. This is reflected by the progress that can be made when a program develops to the point where farmers themselves realize that it has attained a sound operating basis that gives reasonable assurance it will continue. The wheat program has made the most progress toward attaining this stature. Consequently, we can expect steady progress in building county wheat programs to a high level of participation. The tobacco program, due to its very favorable loss experience since it was started in 1945, is nearing this position. It is hoped that all of the present programs will have reached this position within a very short period of time.

Marked increase in winter wheat participation for 1952 indicates that problems arising from the early program with its higher coverage and the withdrawal from some wheat farmers of crop insurance protection twice within less than 10 years are now being overcome.

Building participation in the cotton insurance program has been retarded considerably because much of the acreage of this crop is farmed by sharecroppers. This has resulted in a high percentage of cancellations by the Corporation of contracts each year because satisfactory sureties for the next year's premium could not be obtained by many sharecroppers until near planting time when operators were certain which sharecroppers would farm for them.

Improvement on this participation problem is expected in cotton from a new type of contract to be tried in 1952 which will enable the farm operator to apply for and obtain insurance for all of his sharecroppers under one contract. The acreage reports, submitted after planting, will name the sharecroppers and show the acreage worked by each. Under this plan the farm operator will be liable for the entire premium.

Steady progress in building participation can be expected only when an insurance program has been developed to the point where it can be continued on essentially the same basis for a period of years, so that producers can clearly understand its operations and value and can fairly assume that its protection can be an established part of their farming plans every year. There is shown below, by programs, the number of counties in which crop insurance is provided in 1951 and the number of farmers who availed themselves of this protection:

Program:	<i>Number of counties with insurance program</i>	<i>Number of farmers in- sured</i>
Wheat.....	356	105, 746
Flax.....	61	19, 788
Cotton.....	101	57, 715
Tobacco.....	69	76, 426
Corn.....	98	37, 568
Dry edible bean.....	29	9, 457
Multiple crop.....	95	36, 220
Citrus.....	1	290
Total.....	810	343, 210

### ADMINISTRATIVE PROGRESS

Success of the crop insurance program depends to a major degree on efficient, business-like field operations. Progress of county programs naturally reflects the efficiency and enthusiasm of county personnel. Each county crop insurance program is essentially a small insurance company. Naturally, wide variations exist between counties in the degree of efficiency and interest the county people put forth to build the service of the program to the county. The total of the results in all counties adds up to show the quality of the national performance on this important job. In view of these important aspects of local administration a sustained effort is being made to bring the level of performance in all counties up to that of counties already doing an outstanding job in operating their county insurance programs.

From the farmer's standpoint, the Federal Crop Insurance Corpora-

tion is primarily a service organization. The majority of the individuals who have a part in the operation of the program are at the county level and necessarily are employed only part time on crop insurance work. Those selling the insurance usually work a short period of the year. Adjusters work only in season and then only to the extent that losses occur. For county committees and county office personnel, crop insurance is only one of the several programs administered. Under these circumstances it is essential that operational plans include systematic training of county committeemen and others working on the program and periodic review of the work performed by them.

In recognition of the importance of the servicing operations and the problems associated with part-time employment the Corporation has during the 1951 fiscal year made further progress in standardizing forms and generally simplifying the program and procedures which must be understood and applied by local people. The use of a standard form for more than one program and procedures and instructions which remain in effect year after year, with modification only as necessary, promotes a better understanding among employees and makes it possible to place greater emphasis on the basic principles and functions involved in operating the program.

### Loss Adjustment

The quality of loss adjustment work in each county has a direct bearing on the total loss experience and in maintaining the proper relationship between losses paid and the crop conditions which prevailed. Most of the loss adjustment staff have served in this capacity year after year and have steadily gained proficiency in their work. In the adjustment of losses on the 1950 crops, there was encouraging evidence of a more thorough understanding of the principles upon which the insurance policies are based and other aspects of loss adjustments, particularly those which involved the exercising of judgment on the part of the individual loss adjusters. This progress is being maintained by the Corporation's system of periodically spot checking the work of every adjuster and by employing as small a number of adjusters as possible so as to provide longer periods of service and to use these adjusters in different areas of the county or State.

### Obtaining Acreage Reports

Another important operation performed at the county level is obtaining from the insured farmer as soon as possible after planting is completed a report of the acreage planted to the insured crops and the insured interest. It is desirable to obtain acreage reports early in the season and thus establish the insured liability and premium under the contract while most of the risk is ahead. This involves a personal contact with each insured producer within a relatively short period of time and has stood out over the years as a function which merits the highest degree of care and promptness in its accomplishment. In the 1950 crop year the acreage reports were obtained in connection with checking performance under other agricultural programs.

The results of this approach to the job were not entirely satisfactory. In some areas, the work was completed a short time after planting was completed, while in others for various reasons, it was delayed considerably beyond the optimum time for its completion.

In connection with the 1951 crop year a major improvement was made in planning and launching the work of obtaining acreage reports. While this function was not completed by the end of the 1951 fiscal year, the work was well advanced by that time and generally indicated that local people at the county and state level who have responsibility for obtaining acreage reports are more nearly measuring up to performance expected.

### **Establishing Coverages and Rates**

In the actuarial field, county committees, who have responsibility for setting up coverages and premium rates for different areas in the county, have generally shown a greater appreciation of the importance of this work in a county insurance program and a marked improvement in the knowledge and skill employed in filling this function. Here again the procedures and techniques for setting up coverages and rates have become rather standardized. Although this is one of the most exacting phases in the operation of a sound insurance program, the responsible individuals are becoming increasingly familiar with the job to be done. Likewise, they are more aware of the problems to be overcome and the importance of a realistic approach to the job of establishing the amount of protection for different areas and the premium costs to farmers for that protection.

### **Premium Collection**

Collection of 1950 premiums, which was largely accomplished during the 1951 fiscal year, showed a marked improvement in collection over other years. In 1950, 63,143 farmers availed themselves of the 5-percent discount for early payment of premiums. The total premium paid in advance amounted to about 4 million dollars. Also, during the year, as a result of a continuing program of collection of past-due accounts, the total outstanding premium for all years through 1950 was still further reduced until on June 30, 1951, there was less than 2 percent or about 3.4 million dollars outstanding of the total of 173.3 million dollars earned premiums through that year. It is to be expected, as in any other credit business, that some portion of the premium accounts will be difficult to collect. In view of this fact, it is encouraging to note the gradual reduction in the amount of old accounts outstanding and the high percentage of premium notes which are being collected as they come due each year.

### **MUTUAL CONCEPT OF COUNTY INSURANCE PROGRAMS**

County crop insurance programs are mutual in their operation in that each participating farmer is directly affected by and has an interest in every phase of the administration which influences the financial position of the program. Periodically the premium rates

for a county are recomputed to reflect the actual loss experience in that county. In many counties this actuarial policy is promoting an active interest on the part of policyholders in efficient and sound operation of their county insurance programs. It also provides a logical answer to the desire, often expressed by farmers, for more protection under the program, since such changes can be made only after actual experience indicates that their adoption will not jeopardize the soundness of the operations.

Another feature of the program which gives the insured producer a stake in the operation of the program is a plan for a premium adjustment when favorable experience in the county results in the accumulation of premium reserves in excess of the minimum reserve required for a sound program. In any year when the premium reserve exceeds the reserve requirement established for the county, policyholders who were also insured in the preceding year receive a premium discount ranging from 5 percent to 30 percent. The amount of this discount varies with the amount of excess reserve accumulated in the county.

To further emphasize the mutual benefits of good experience and to encourage a sound operation, this plan also operates in the reverse with policyholders' premium costs increasing from 5 percent to 30 percent following a year in which the county program experience shows a deficit of more than 10 percent of the required reserve. Unfavorable experience for any year would eventually be reflected in the basic premium rates at the time of the periodic recomputation. This plan for a percentage increase was adopted so as to make possible needed premium increases immediately following a year of excessive losses. Another advantage of the practice is that policyholders can more easily understand and appreciate why premium rates are increased following a year of heavy losses.

The following tabulation shows for each commodity the number of counties receiving a premium discount and the number receiving a premium increase because of the position of the premium reserve:

Program:	Number of counties in which the 1951 premium was—	
	Discounted because of excess reserve	Increased because of excess deficit
Wheat.....	65	6
Flax.....	40	1
Cotton.....	1	35
Tobacco.....	4	6
Corn.....	0	4
Beans.....	0	4
Total.....	110	56

These provisions are designed to give consideration to the total experience of the county program. In addition, the policy also contains a provision whereby the insured receives credit for good individual experience under his contract. Through this provision a

policyholder receives a 25-percent reduction in his premium after seven consecutive years of insurance without a loss.

### **Meetings of Policyholders**

Meetings of policyholders were held in many crop insurance counties throughout the Nation during 1951, and have made a worthwhile contribution by stimulating interest on the part of farmers in a sound insurance program. They are also a valuable means of informing producers of the provisions of their insurance policies and emphasizing the basic principles upon which crop insurance operates.

In addition to policyholders, other farmers and the businessmen with whom they trade, such as bankers, credit managers, merchants, machinery dealers and warehouse managers are invited to attend. At these meetings local leaders report on the status of the county crop insurance program, including the number of new and old policyholders, indemnities paid, premiums collected, reserves accumulated, and any special problems needing the attention of policyholders. There is usually a review of the program provisions with emphasis on the responsibilities of the policyholders. Those attending are encouraged to ask questions about any points not clear to them and to offer suggestions for improving administration and participation. In some counties the practice has been adopted of publishing annually a list of persons to whom indemnities have been paid including the amount and cause of losses. In others a committee of policyholders has been elected to assist the local administrative people in screening risks and adjusting coverage and rate areas.

### **Screening Risks**

The entire crop insurance program in a county, and especially the actuarial structure, is based on the assumption that the farms and farmers insured will be a representative group of average or better than average for the whole county. Failure to obtain this kind of business in a county can have a serious effect on the over-all soundness of the program. The mutual concept of a program is weakened to the extent that bad risks are accepted in the program, since losses paid out are borne by the premiums paid by the insured farmers.

Continuing emphasis is being given to the elimination of those risks in the county which are considered too great to be included at this time in a sound crop insurance program. Local committeemen with the assistance of Corporation actuaries make a detailed study each year of the loss experience in each county with a view to identifying and declaring uninsurable the land and the individuals which constitute unsound insurance risks. Under the 1951 programs there are 3.3 percent of the cropland and 16,000 farmers in the 810 counties where crop insurance is now operating that were uninsurable because of the risks involved.

This elimination of high-risk farmers and land is in accordance with the intent of the crop insurance act and with sound insurance principles. It is a difficult function but essential to the operation of a sound program. It is possible that some land now classified as uninsurable may respond to better care and management so that in the future insurance can be provided and that with additional experience, proper premium rates can be established for some land now classed as uninsurable. Also, by adopting improved farming methods, a farmer may move from the high-risk to the eligible category.

### **MULTIPLE-CROP INSURANCE**

Multiple-crop insurance is a significant development toward the objective of providing a program of crop insurance protection in all important agricultural areas. Started on an experimental basis in 2 counties in 1948, this program has expanded each year until in 1951 there are 95 county multiple-crop insurance programs operating. Since it is designed especially to meet the insurance needs in diversified counties where several crops rather than one contribute the major part of farm income, it has the largest potential for expansion of any of the several crop insurance programs.

A multiple-crop insurance policy, as the name implies, provides protection of the investment in several crops combined and thus makes available to a diversified farmer protection equivalent to that obtained under a single commodity policy by a farmer who specializes in the production of one crop. The policyholder has a specified dollar amount of coverage on all his acreage of the insured crops. A loss occurs under the policy when the total dollar value, computed on the basis of prices set forth in the policy, of the production of all the insured crops is less than the coverage.

Since in the settlement of losses, consideration is given to a coverage which is based on the total acreage of all crops and to the total production from all insured crops, it is easily apparent that a loss on one or even two or more crops does not necessarily mean that the insured farmer has experienced a loss under the contract. This is true since different crops are often subject to different hazards and the fact that although one or more crops may fail, the production from other crops grown by the insured farmer may eliminate the loss to the farmer on the entire operation. This reduced risk results in lower premium costs to the farmer under the multiple-crop insurance program than would be required if each of his crops were insured under a separate policy. Likewise, it indicates the justification for the reduced premium costs as the degree of diversification on the individual farm increases.

The flexibility of this program insofar as the crops insured are concerned is borne out by the fact that a total of 31 different crops are insured in the 95 multiple-crop counties in 1951. The variety of crops insured and the number of counties and States in which each crop is insured under the 1951 multiple crop insurance program are shown in the following tabulation:

Crops:	Counties and States in which the specified crops are insured	
	Counties (number)	States (number)
Grain:		
Barley .....	44	18
Corn .....	88	30
Grain sorghum .....	12	5
Oats .....	77	26
Rye .....	12	4
Wheat .....	64	23
Food:		
Canning peas .....	2	1
Dry edible beans .....	10	4
Onions (dry) .....	1	1
Potatoes .....	8	7
Rice .....	4	2
Strawberries .....	2	2
Sugar beets .....	6	3
Sugarcane .....	2	1
Sweet corn .....	2	2
Sweetpotatoes .....	8	6
Oil:		
Flax .....	29	8
Peanuts .....	12	7
Soybeans .....	47	18
Seed:		
Austrian peas .....	1	1
Hubam clover .....	1	1
Lespedeza .....	1	1
Red clover .....	1	1
Ryegrass .....	1	1
Vetch .....	1	1
Hay:		
Alfalfa .....	12	10
Clover and timothy .....	5	4
Lespedeza .....	5	4
Other:		
Cotton .....	20	10
Tobacco .....	11	8
Corn ensilage .....	13	7
Total counties and States in which multiple crop insurance is provided in 1951 .....	95	32

This tabulation reflects the adaptability of the multiple-crop insurance program to any area of the Nation. This program has strong appeal to farmers when they understand it from an insurance standpoint. However, the fact that its very nature contemplates payment of losses only when severe crop disaster strikes a farm or area means that there is considerable work to be done in getting farmers to evaluate it from a protection instead of a "collection" standpoint. It is readily apparent that in areas where farmers are inclined toward the belief that under a crop insurance program indemnities should be frequent, there must be thorough educational work to reach the desirable level of participation. Also, it is to be expected that in order to maintain participation, aggressive educational work will be necessary in the second and third years of a county multiple program, when the optimism of farmers may lead them to believe that their production will never be less than their investment.

## CITRUS INSURANCE

In recent years the expansion to additional crops has been accomplished principally under the multiple-crop insurance program as noted in the preceding section of this report. However, citrus, a crop which is not produced widely throughout the Nation but is of great importance in the areas in which it is grown, does not lend itself to inclusion under the multiple-crop program. In the 1951 fiscal year, the Corporation developed a citrus crop insurance program and offered it in two counties in Florida. One of these counties obtained the required number of applications to permit the program to be put into force covering the 1951 crop.

This is the first time that Federal crop insurance has been provided on a tree crop. The program is somewhat unusual in that it provides protection against specific risks of freeze, hurricane, tornado, and hail. It was developed in cooperation with the representatives of the citrus industry and in response to an increasing demand of citrus growers for insurance protection, following crop losses in the citrus-producing areas during recent years. With respect to the manner of adjusting losses, this program represents a departure from the pattern of other insurance programs. Losses are paid only in cases where the average percent of damage from the stated causes of loss reduces the production, which was or would have been produced, by 10 percent or more. No losses are paid for damage amounting to less than 10 percent. Also, the policy does not cover damage to the trees, nor—as is also true of other programs—does it cover avoidable causes of loss such as neglect or poor grove practices.

The program was rather well received by citrus growers in Polk County, Fla. Fair participation was obtained, producing a total earned premium of approximately \$85,000. Naturally, the experience of the Corporation is meager insofar as insurance on citrus is concerned. At this time, we are unable to say what the loss experience of 1951 will be. However, the 290 contracts in force represent a total liability of approximately 1.2 million dollars. The success of this program will have considerable influence on the expansion of citrus insurance to other counties and other areas of the Nation.

## UNDERWRITING EXPERIENCE FOR THE 1950 CROP YEAR

The 1950 crop year is the last one for which underwriting experience can be given. For the 306,685 insurance contracts in force in 1950, the Corporation's total maximum liability was approximately 241 million dollars. Indemnities totaling 12.7 million dollars were paid to insured farmers for crop losses, leaving a surplus of approximately 1.6 million dollars from the 14.3 million dollars total premiums under all contracts. This net position with respect to the year's operations reflects about the kind of experience which could be expected under the crop conditions which prevailed in 1950 in the crop insurance counties.

The 1950 crop year was characterized by wide variations in weather and crop conditions. Many crop insurance counties suffered heavy losses while in others the losses were insignificant due to the favorable conditions which prevailed throughout the planting, growing, and harvesting season. Because of these variations between counties or areas the insurance experience of the Corporation is more closely related to the degree of uniformity of crop conditions than to the total production for the Nation.

Of the seven crop insurance programs in operation, only in the case of cotton, corn, and dry edible beans did indemnities exceed premiums, losses in cotton being somewhat more significant from the standpoint of combined results. The net position, with indemnities equaling 89 percent of the total premiums, reflects the influence of the good experience under the wheat program, which accounts for slightly more than half of the total premium income and under which program indemnities approximated only 50 percent of the wheat premiums. The remaining programs of flax, tobacco, and multiple-crop insurance also operated with satisfactory premium balances as will be noted from the following tabulation of 1950 loss experience for all programs:

Program:	Premiums	Indemnities	Loss ratio
Wheat.....	\$8, 403, 597	\$4, 292, 751	0. 51
Flax.....	497, 270	205, 258	. 41
Cotton.....	1, 840, 665	5, 129, 578	2. 79
Tobacco.....	1, 463, 636	850, 388	. 58
Corn.....	741, 061	908, 729	1. 23
Dry edible beans.....	104, 215	188, 586	1. 81
Multiple crop.....	1, 268, 906	1, 173, 418	. 92
Total.....	14, 319, 350	12, 748, 708	. 89

From the standpoint of distribution of total liability of the Corporation, the above figures indicate how, despite heavy losses under one or more programs, the combined operating experience of the Corporation may still show a premium balance. Likewise, over a period of years the principle of "the good years taking care of the bad years" is emphasized. In this connection it is interesting to note for the years 1948, 1949, and 1950, the beginning of which time marked the adoption of a somewhat more conservative approach to the question of insurance coverage under all programs, that the operations of the Corporation show a deficit in only 1949 with the combined experience for those 3 years showing a premium balance of 3.7 million dollars.

The underwriting experience for the years 1948, 1949, and 1950 for all programs is summarized in table 1 and the experience for 1950 is shown in detail for the various programs in the next seven sections of this report.

TABLE 1.—*Federal crop insurance experience, summary of all programs, 1948-50*  
[As of June 30, 1951]

Program and crop year	Counties with insurance program			Crop planted and premium earned						Indem- nities	Surplus or deficit	Loss ratio
	Number	Con- tracts in force <sup>1</sup>	Con- tracts <sup>1</sup>	Farms <sup>1</sup>	Indem- nities	Insured acreage <sup>2</sup>	Maximum liability <sup>3</sup>	Premiums	Indem- nities			
Wheat:												
1948.....	200	84,990	64,691	96,163	10,040	6,514,839	84,555,300	8,580,641	45,009,639	Dollars	3,571,002	0.58
1949.....	199	58,881	52,445	78,231	17,834	7,759,861	83,531,127	7,714,437	11,209,408		-3,494,971	1.45
1950.....	283	84,816	75,640	107,149	12,314	8,921,637	95,867,408	8,403,597	4,292,751		4,110,846	.51
Flax:												
1948.....	48	16,782	13,979	17,257	1,932	753,650	13,571,842	1,546,742	795,096		751,646	.51
1949.....	48	19,267	13,751	16,773	2,599	683,443	7,783,550	882,961	543,009		339,952	.61
1950.....	63	20,847	14,016	17,029	1,473	642,942	4,998,815	497,270	205,258		292,012	.41
Cotton:												
1948.....	53	19,479	18,024	22,026	2,620	681,742	22,119,049	1,410,597	605,025		805,572	.43
1949.....	52	26,667	24,723	29,611	9,524	976,263	26,716,527	1,580,702	3,117,382		-1,536,680	1.97
1950.....	80	63,969	56,720	69,966	31,165	1,172,345	33,362,633	1,840,665	5,129,578		-3,288,913	2.79
Tobacco:												
1948.....	32	31,622	30,826	39,797	1,929	136,199	21,332,610	655,459	284,657		370,802	.43
1949.....	35	35,026	34,416	44,093	3,641	129,402	22,378,996	740,664	489,118		251,546	.66
1950.....	52	71,898	67,857	93,142	7,508	270,775	47,738,169	1,463,636	850,388		613,248	.58
Corn:												
1948.....	36	14,141	14,118	16,519	310	752,478	11,166,114	435,236	74,398		360,838	.17
1949.....	44	19,607	19,497	23,766	548	1,070,336	16,683,098	586,769	95,069		491,700	.16
1950.....	73	32,292	30,839	36,879	3,994	1,302,480	20,125,508	741,061	908,729		-167,668	1.23
Dry edible bean:												
1948.....	4	1,444	1,423	1,577	76	37,505	754,065	32,396	9,338		23,058	.29
1949.....	9	2,903	2,759	3,184	323	102,561	1,737,270	95,029	61,152		33,877	.64
1950.....	18	5,138	4,611	5,244	1,071	107,569	2,292,927	104,215	188,586		-84,371	1.81



### Wheat Insurance

The crop year of 1950 was the eleventh year of insurance on wheat and after a slight deficit in the operations for 1949, the wheat program again in 1950 and for the fifth year since 1945 showed a balance of premiums over indemnities. With the exception of 1949, wheat crops were uniformly good and insurance losses were comparatively light during the period 1945 through 1950.

In the 283 counties where the program operated in 1950, there were 84,816 farmers insured, on whose crops the maximum liability was approximately 96 million dollars. The premiums amounted to 8.4 million dollars and indemnities approximating 4.3 million dollars were paid to insured farmers on crop losses, leaving a surplus of about 4.1 million dollars.

Although the wheat crop, as a whole, in 1950 was one of the largest of record, there were many variations in the crop conditions over the wheat area, which had a direct effect on the loss experience in wheat insurance counties. The winter wheat crop was seeded under generally favorable conditions but in the Southern and Central Great Plains areas it faced steadily increasing hazards from dry soil and insects until near harvesttime. Loss of acreage during the winter and spring for the country, as a whole, was greater than usual. In the spring wheat areas seedings were delayed considerably past the usual seeding date, because of persistent cool wet weather. However, in this area conditions during the growing season became more favorable and spring wheat developed satisfactorily. Details of the 1950 wheat insurance experience are shown in table 2, by States, with the 1949 experience also included for comparison.

In recent years the provisions of the wheat crop insurance program, which was the first program of crop insurance provided, have become stabilized so that the 1951 program is essentially a continuation of the 1950 program expanded to 73 additional counties. The location and distribution of the 356 counties for 1951 are shown in figure 2. Under the 1951 wheat crop insurance program, the total premiums will amount to approximately 11 million dollars. It is not yet possible to forecast accurately the losses for 1951. It is apparent that drought and insect damage in the Great Plains and unfavorable weather conditions during the harvest season in other areas will result in rather widespread losses.

The expansion of crop insurance programs to the limits authorized by law for 1952 is not contemplated. However, plans were made in the 1951 fiscal year for writing 1952 wheat insurance in the counties where the 1951 program operated and in 45 additional counties into which the program may be expanded under the approved budget.

TABLE 2.—*Wheat crop insurance experience, by States, 1949-50*

[As of June 30, 1951]

State and crop year	Counties with insurance program	Con-tracts in force <sup>1</sup>	Crop planted and premium earned										Loss ratio
			Farms <sup>1</sup>		Indem-nities	Insured acreage <sup>2</sup>	Maximum liability <sup>3</sup>	Premi-ums	Indem-nities	Surplus or deficit			
			Number	Number									
California:	Number	Number	Number	Number	Acres	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars		
1949	3	277	461	368	133,398	2,020,894	201,500	852,438	—650,938	4.23			
1950	5	411	552	167	133,717	2,035,137	195,981	165,544	30,437	.84			
Colorado:													
1949	6	1,048	1,627	464	234,364	1,936,498	243,851	249,526	—5,675	1.02			
1950	9	1,487	2,171	413	278,999	2,037,440	226,827	283,687	—56,860	1.25			
Idaho:													
1949	5	547	781	62	97,482	1,717,692	76,956	68,721	8,235	.89			
1950	7	736	931	21	93,382	1,511,863	75,261	5,797	69,464	.08			
Illinois:													
1949	8	3,770	4,515	44	140,141	1,724,139	110,149	5,056	105,093	.05			
1950	11	4,618	4,682	994	112,225	1,360,854	91,917	96,461	—4,544	1.05			
Indiana:													
1949	8	3,002	3,017	72	66,129	914,811	41,657	5,956	35,701	.14			
1950	12	4,304	4,403	442	81,944	1,126,994	52,439	44,791	7,648	.85			
Kansas:													
1949	29	4,825	7,454	2,379	772,293	5,478,515	494,173	841,028	—346,855	1.70			
1950	40	8,334	12,158	1,286	1,076,224	7,252,721	686,590	306,636	379,954	.45			
Maryland:													
1949	2	704	687	29	23,842	297,123	11,041	2,852	8,189	.26			
1950	2	592	579	20	20,202	211,165	7,517	1,155	6,362	.15			
Michigan:													
1949	5	1,690	1,687	71	25,550	446,031	16,179	6,149	10,030	.38			
1950	8	2,338	2,272	204	28,503	480,766	16,489	14,858	1,631	.90			

See footnotes at end of table.

TABLE 2.—*Wheat crop insurance experience, by States, 1949-50—Continued*  
 [As of June 30, 1951]

State and crop year	Counties with insurance program	Con- tracts in force <sup>1</sup>	Crop planted and premium earned						Indem- nities.	Surplus or deficit	Loss ratio
			Con- tracts <sup>1</sup>	Farms <sup>1</sup>	Indem- nities	Insured acreage <sup>2</sup>	Maximum liability <sup>3</sup>	Premi- ums			
	Number	Number	Number	Number	Number	Acres	Dollars	Dollars	Dollars	Dollars	
Minnesota:											
1949-----	8	3,940	3,246	4,122	509	328,800	4,780,871	248,148	180,956	67,192	.73
1950-----	11	5,431	4,416	5,331	549	263,760	3,747,713	186,186	163,617	22,569	.88
Missouri:											
1949-----	9	2,844	2,259	2,960	301	104,150	885,546	74,503	41,712	32,791	.56
1950-----	13	3,611	2,603	3,238	508	87,720	787,189	75,658	65,868	9,790	.87
Montana:											
1949-----	12	3,412	3,226	6,834	3,618	1,169,108	14,210,027	1,994,638	4,018,080	-2,023,442	2.01
1950-----	18	5,713	5,511	9,780	3,785	1,401,387	18,574,155	2,443,020	576,478	1,866,542	.24
Nebraska:											
1949-----	13	3,387	3,173	4,664	2,304	302,623	3,714,897	394,974	919,532	-524,558	2.33
1950-----	17	4,228	3,872	5,490	2,291	308,540	3,668,092	393,914	103,581	290,333	.26
New Mexico:											
1949-----	2	180	154	218	87	74,569	604,203	108,516	210,301	-101,785	1.94
1950-----	2	218	183	245	233	61,570	466,081	80,306	352,416	-272,110	4.39
New York:											
1949-----	2	417	357	423	5	8,276	190,231	9,485	312	9,173	.03
1950-----	2	481	420	444	10	7,762	187,595	9,620	789	8,831	.08
North Dakota:											
1949-----	23	11,551	10,830	17,308	3,172	1,849,257	17,631,859	1,519,277	1,194,881	324,396	.79
1950-----	37	18,122	17,226	25,638	1,196	2,318,805	21,027,844	1,827,828	267,550	1,560,278	.15
Ohio:											
1949-----	10	3,944	3,435	4,219	64	84,161	1,493,822	59,933	4,107	55,826	.07
1950-----	15	6,315	5,728	6,768	518	119,292	2,048,209	82,189	40,706	41,483	.50
Oklahoma:											
1949-----	11	2,456	2,162	3,104	847	362,857	3,431,482	236,409	534,165	-297,756	2.26
1950-----	13	2,474	2,323	3,188	1,218	306,984	2,283,434	146,995	480,035	-333,040	3.27

	5	668	579	975	195	258, 126	4, 800, 150	161, 972	294, 003	- 132, 031	1. 82
Oregon: 1949-----	8	1, 302	1, 190	1, 701	93	437, 126	7, 876, 721	297, 162	62, 962	234, 200	. 21
Pennsylvania: 1949-----	4	1, 311	1, 130	1, 233	25	19, 386	458, 291	16, 332	1, 077	15, 255	. 07
1950-----	5	1, 629	1, 431	1, 524	57	22, 261	522, 846	18, 753	3, 997	14, 756	. 21
South Dakota: 1949-----	13	5, 184	4, 712	7, 355	2, 156	686, 687	5, 258, 405	718, 327	705, 902	12, 425	. 98
1950-----	19	7, 092	6, 472	9, 915	1, 557	649, 916	5, 698, 635	784, 575	416, 987	367, 588	. 53
Texas: 1949-----	12	2, 538	1, 984	2, 550	799	420, 476	2, 806, 603	353, 426	446, 816	- 93, 390	1. 26
1950-----	14	3, 110	2, 347	2, 911	1, 590	313, 662	1, 987, 415	250, 130	750, 103	- 499, 973	3. 00
Utah: 1949-----	1	167	150	179	16	30, 579	377, 385	19, 919	16, 819	3, 100	. 84
1950-----	2	350	299	337	30	36, 234	624, 060	18, 080	29, 975	- 11, 895	1. 66
Washington: 1949-----	7	914	834	1, 651	238	542, 680	8, 045, 854	327, 520	604, 153	- 276, 633	1. 84
1950-----	10	1, 590	1, 490	2, 431	66	704, 091	9, 877, 997	381, 806	30, 317	351, 489	. 08
Wyoming: 1949-----	1	105	95	207	4	24, 927	305, 798	43, 571	2, 246	41, 325	. 05
1950-----	3	330	309	460	54	57, 331	472, 482	54, 354	23, 374	30, 980	. 43
Indemnities payable: 4											
1949-----					5				2, 620	- 2, 620	---
1950-----					12				5, 067	- 5, 067	---
Hedging operations: 1949-----								231, 981			---
Totals: 1949-----	199	58, 881	52, 445	78, 231	17, 834	7, 759, 861	83, 531, 127	7, 714, 437	11, 209, 408	- 3, 494, 971	1. 45
1950-----	283	84, 816	75, 640	107, 149	12, 314	8, 921, 637	95, 867, 408	8, 403, 597	4, 292, 751	4, 110, 846	. 51

<sup>1</sup> The number of contracts on which a premium was earned is less than the number of contracts in force because farmers in some years do not plant any acreage of wheat. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

<sup>2</sup> Includes duplication where both landlord and tenant are insured.

<sup>3</sup> Based on the coverage for harvested acreage. Partially estimated for 1949.

<sup>4</sup> Estimated.

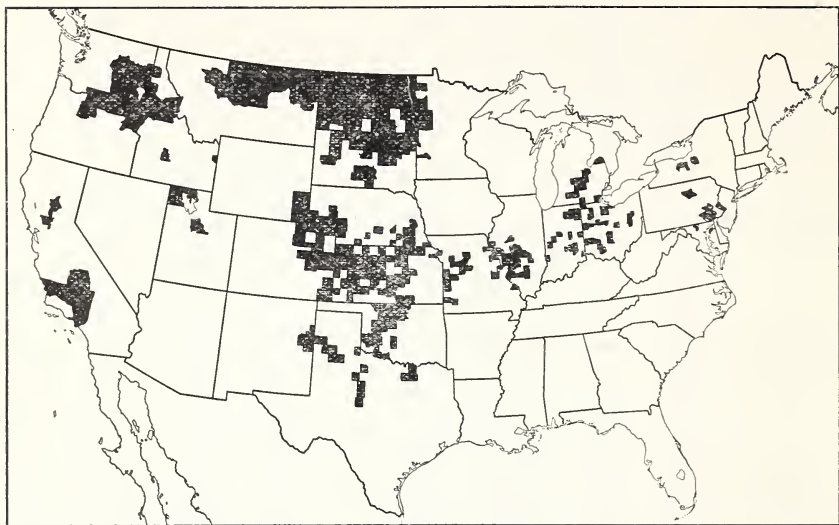


FIGURE 2.—Location of 1951 wheat insurance counties.

It now appears that the demand for wheat crop insurance in the old as well as the new counties is somewhat greater than in previous years. In the case of winter wheat counties the business in force will show a net increase of about 27 percent over 1951. This takes into consideration present indications that between 85 and 90 percent of the insurance in force will be carried over from 1951 to 1952.

### Flax Insurance

Flax insurance has been provided for the last 6 years and 1950 was the fifth year in the 6-year period in which the program has shown a premium surplus. In 1950, 20,847 flax producers were insured in the 63 counties where the program operated. Under those insurance contracts, the Corporation's liability amounted to 5 million dollars and premiums for that protection totaled 497 thousand dollars. Indemnities paid to insured farmers for crop losses amounted to 205 thousand dollars which represented 41 percent of the premiums.

Despite generally unfavorable indications during the planting season and early harvest period, the total flax production for 1950 was 13 percent greater than the average for the past 10-year period, although 11 percent less than the total 1949 production. Adverse weather conditions delayed seeding and resulted in a late maturing crop. However, the average yield per acre for 1950 was 10.1 bushels, well above the 8.9 bushels for 1949 and the 10-year average of 9.5 bushels.

Under these conditions, flax insurance losses were spotted and were in line with what could be expected under the crop conditions which prevailed. Details of the 1950 flax insurance experience, by States, are shown in table 3, with the 1949 experience shown for comparison.

TABLE 3.—*Flax crop insurance experience, by States, 1949-50*  
[As of June 30, 1951]

State and crop year	Counties with insurance program	Con-tracts in force <sup>1</sup>	Crop planted and premium earned								Loss ratio
			Con-tracts <sup>1</sup>	Farms <sup>1</sup>	Indemni-ties	Insured acreage <sup>2</sup>	Maximum liability <sup>3</sup>	Premiums	Indemni-ties	Surplus or deficit	
			Number	Number	Number	Acres	Dollars	Dollars	Dollars	Dollars	
Iowa:	Number	Number	125	137	1	3,721	68,685	6,505	26	6,479	0.01
1949-----	1	152									.00
1950-----	1	135	97	106	0	2,578	34,053	2,842	0	2,842	
Kansas:											
1949-----	2	522	187	224	44	3,492	33,122	4,689	2,748	1,941	.59
1950-----	2	224	38	47	27	775	4,004	570	1,248	-678	2.19
Minnesota:											
1949-----	24	11,778	8,182	9,705	1,696	351,312	4,741,537	482,839	375,126	107,713	.78
1950-----	36	12,784	7,984	9,336	1,033	304,211	2,849,794	262,894	148,619	114,275	.57
Montana:											
1949-----	2	164	49	59	55	6,020	41,462	8,716	28,549	-19,833	3.28
North Dakota:											
1949-----	16	5,005	3,694	4,637	369	228,338	1,996,347	255,088	60,524	194,564	.24
1950-----	18	5,438	4,065	5,214	254	252,568	1,536,587	161,552	36,800	124,752	.23
South Dakota:											
1949-----	3	1,646	1,514	2,011	434	90,560	902,397	125,124	76,036	49,088	.61
1950-----	6	2,266	1,832	2,326	158	82,810	574,377	69,412	18,439	50,973	.27
Indemnities payable: <sup>4</sup>											
1950-----					1				152	-152	-----
Totals:											
1949-----	48	19,267	13,751	16,773	2,599	683,443	7,783,550	882,961	543,009	339,952	.61
1950-----	63	20,847	14,016	17,029	1,473	642,942	4,998,815	497,270	205,258	292,012	.41

<sup>1</sup> The number of contracts on which a premium was earned is less than the number of contracts in force because farmers in some years do not plant any acreage of flax. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure repre-

sents number of farms includes duplication where both landlord and tenant are insured.

<sup>2</sup> Includes duplication where both landlord and tenant are insured.

<sup>3</sup> Based on the coverage for harvested acreage.

<sup>4</sup> Estimated.

Flax insurance is being provided in a total of 61 counties in 1951. Two counties in which flax was insured in 1950 now have multiple-crop insurance. The location and distribution of the 1951 counties are shown in figure 3. The 1951 premiums will amount to approximately 458 thousand dollars. Although losses cannot be estimated accurately at this time, it appears that this program will again show a premium surplus for 1951.

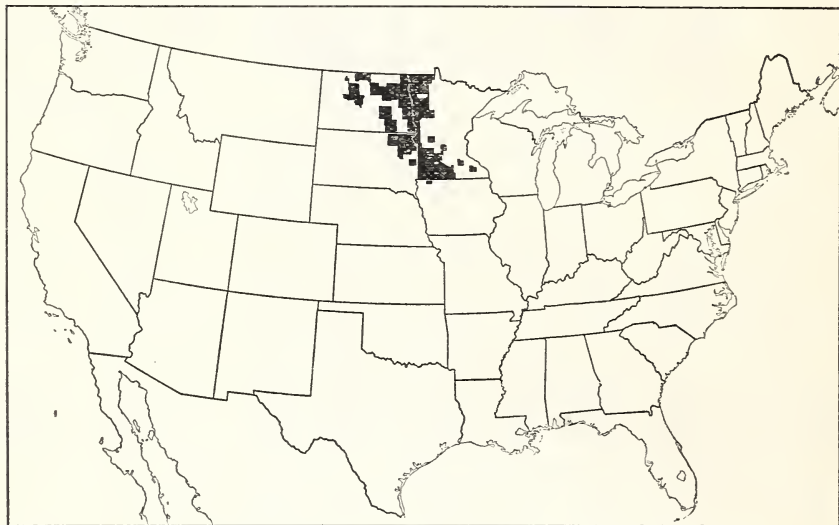


FIGURE 3.—Location of 1951 flax insurance counties.

Flax insurance is now provided in essentially all principal flax-producing counties. Fringe counties with a relatively small acreage of flax appear to be better suited to multiple-crop insurance with its coverage on several crops.

### Cotton Insurance

The 1950 crop year was the eighth year of insurance on cotton and the last one for which operating experience is available. The early years of the cotton insurance program resulted in unfavorable experience. Losses paid out were not in line with the kind of crops produced. This experience brought about more and broader changes in the cotton insurance program than in any other program. Following these changes, which substantially improved the soundness of the program, the experience in cotton insurance has improved. Since the beginning of this program there have been a series of poor crop years, with the resultant heavy crop losses. However, the operating results have in recent years reflected the improvements in the program and are approximately in line with what could be expected under the crop conditions which have prevailed in counties where the program operated.

In 1950 there were 63,969 farmers insured in the 80 counties where cotton insurance was provided. This was a substantial increase over the participation in 1949. Under these contracts the Corporation had a total liability of 33.4 million dollars, and indemnities totaling 5.1 million dollars were paid to 31,165 farmers for crop losses.

This loss experience is largely explained by crop conditions for 1950. Although the average yield per acre of 265.4 pounds is 4.1 pounds above the 10-year average, the central and eastern part of the Cotton Belt showed yields considerably below the average because of excessive rains and the highest insect infestation in many years. This is the area where the 1950 indemnities were heavy. In the irrigated areas, where near record yields were obtained, indemnities were small, as could be expected. Details of the 1950 cotton insurance experience are shown in table 4, by States, with the 1949 experience included for comparison.

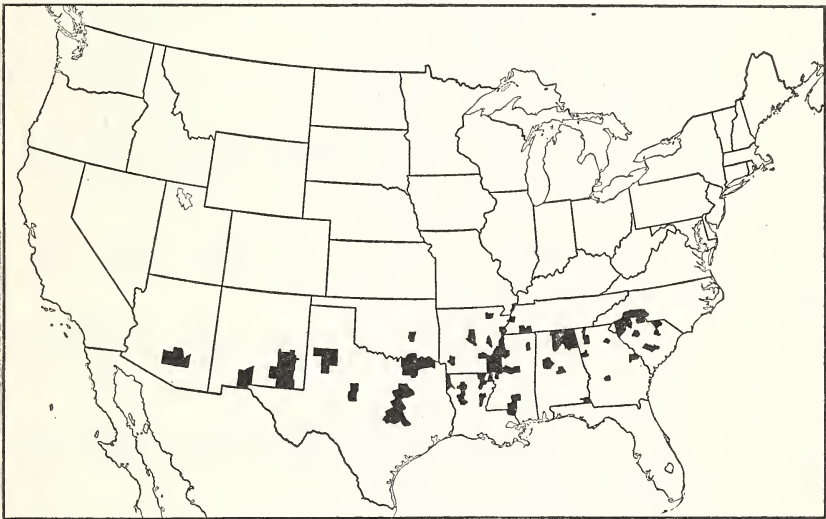


FIGURE 4.—Location of 1951 cotton insurance counties.

The 1951 cotton insurance program is mainly a continuation of the 1950 program with an expansion from 80 counties to a total of 101 for 1951. The location and distribution of these counties are shown in figure 4. The total participation in these counties for 1951 is 57,715, slightly below 1950. However, the average number of insured farmers per county dropped from 800 in 1950 to 571 in 1951. The 1951 premiums will approximate 2.7 million dollars, and early harvest indications are that about an average crop will be harvested and that the cotton program will show a balance of premiums over indemnities for 1951.

TABLE 4.—*Cotton crop insurance experience, by States, 1949-50*  
[As of June 30, 1951]

State and crop year	Counties with insurance program	Con-tracts in force <sup>1</sup>	Crop planted and premium earned							Surplus or deficit	Loss ratio
			Con-tracts <sup>1</sup>	Farms <sup>1</sup>	Indem-nities	Insured acreage <sup>2</sup>	Maximum liability <sup>3</sup>	Premi-ums	Indem-nities		
	Number	Number	Number	Number	Number	Acres	Dollars	Dollars	Dollars	Dollars	
Alabama:											
1949.....	6	3,470	3,300	3,379	1,011	62,139	2,038,451	82,657	192,620	-109,963	2.33
1950.....	9	17,967	15,648	19,724	10,815	185,776	6,684,411	245,449	1,466,638	-1,221,189	5.98
Arizona:											
1949.....	1	93	76	103	1	39,416	1,807,947	76,515	59	76,456	.01
1950.....	1	82	56	76	1	13,793	828,795	33,481	5,533	27,948	.17
Arkansas:											
1949.....	7	2,816	2,584	3,374	1,462	87,925	2,149,838	133,140	469,811	-336,671	3.53
1950.....	8	5,550	4,657	6,130	1,601	117,337	2,992,517	166,800	263,346	-96,546	1.58
California:											
1949.....	1	116	75	88	4	5,827	495,821	22,318	3,195	19,123	.14
Georgia:											
1949.....	4	1,140	1,034	1,109	584	22,965	756,182	39,987	186,293	-146,306	4.66
1950.....	6	2,975	2,652	2,977	1,105	44,833	1,419,364	70,320	160,613	-90,293	2.28
Louisiana:											
1949.....	4	1,495	1,252	1,512	286	43,047	1,647,685	131,687	73,443	58,244	.56
1950.....	7	1,780	1,424	1,767	647	25,752	808,927	66,190	77,016	-10,826	1.16
Mississippi:											
1949.....	8	6,048	5,627	6,273	3,181	138,757	5,424,912	363,174	1,192,745	-829,571	3.28
1950.....	13	12,615	11,268	12,613	3,853	207,471	7,488,948	506,131	1,693,603	-187,472	1.37
New Mexico:											
1949.....	1	182	170	235	67	18,230	1,245,517	70,274	234,578	-164,304	3.34
1950.....	2	523	499	676	53	32,061	1,554,655	116,199	28,449	87,750	.24
North Carolina:											
1949.....	2	1,699	1,660	1,933	314	30,010	863,807	31,071	52,385	-21,314	1.69
1950.....	4	6,328	5,910	7,225	4,666	76,725	2,315,542	91,295	808,881	-717,586	8.86

[illegible]

1 The number of contracts on which a premium was earned is less than the number of contracts in force because farmers in some years do not plant any acreage of cotton. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure repre-

representing number of farms includes duplication where both landlord and tenant are insured.

<sup>2</sup> Includes duplication where both landlord and tenant are insured.

<sup>3</sup> Based on the coverage for harvested acreage.

representing number of farms includes duplication where both landlord

TABLE 5.—*Tobacco crop insurance experience, by States, 1949-50*  
[As of June 30, 1951]

State and crop year	Counties with insurance program	Con-tracts in force <sup>1</sup>	Crop planted and premium earned									Loss ratio
			Con-tracts <sup>1</sup>	Farms <sup>1</sup>	Indem-nities	Insured acreage <sup>2</sup>	Maximum liability <sup>3</sup>	Premi-ums	Indem-nities	Surplus or deficit		
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Acres</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>		
Connecticut:												
1949	1	557	554	614	135	4,686	1,598,348	77,682	144,169	—66,487	1.86	
1950	1	840	767	871	67	6,770	2,542,710	124,087	49,897	74,190	.40	
Florida:												
1949	1	613	589	690	70	1,606	233,555	7,725	7,087	638	.92	
1950	2	1,802	1,689	1,852	118	5,315	865,335	28,113	16,099	12,014	.57	
Georgia:												
1949	3	2,534	2,480	3,132	227	8,375	1,399,616	60,093	36,788	23,305	.61	
1950	5	3,187	3,016	3,754	899	9,886	1,807,679	72,250	151,947	—79,697	2.10	
Kentucky:												
1949	7	5,968	5,787	7,377	934	15,774	2,639,951	95,478	69,839	25,639	.73	
1950	10	9,560	8,962	13,260	2,852	22,652	3,641,012	132,622	218,561	—85,939	1.65	
Massachusetts:												
1949	1	289	287	310	24	1,754	621,036	30,175	11,998	18,177	.40	
1950	1	332	303	335	30	2,001	776,824	37,850	10,486	27,364	.28	
North Carolina:												
1949	7	8,944	8,889	12,055	380	40,045	7,950,647	217,297	50,653	166,644	.23	
1950	12	23,749	23,120	31,143	417	121,080	21,014,765	556,833	110,740	446,093	.20	
Ohio:												
1949	1	472	462	554	24	1,031	189,830	7,731	6,022	1,709	.78	
1950	1	888	840	1,022	183	1,820	502,350	12,846	14,882	—2,036	1.16	
Pennsylvania:												
1949	1	1,320	1,277	1,549	51	8,451	1,217,637	34,306	5,486	28,820	.16	
1950	1	1,650	1,520	1,890	66	10,307	1,521,383	44,609	10,049	34,560	.23	



### Tobacco Insurance

The 1950 crop year was the sixth of tobacco insurance and the last year for which experience can be given. This program was started in 1945 in 13 counties and has expanded gradually to 52 counties for the 1950 crop year. In 1950 the Corporation's liability under the 71,898 contracts in force amounted to approximately 48 million dollars. Indemnities totaling 850 thousand dollars were paid to insured farmers for crop losses, which amounted to 58 percent of the earned premiums of approximately 1.5 million dollars. With the exception of 1947, in which year losses and premiums were approximately equal, the tobacco insurance program has shown for each year a substantial premium balance. Details of the 1950 tobacco insurance experience are shown in table 5, by States, with the 1949 experience included for comparison.

The 1950 tobacco crop as a whole was of good quality and better than average yields. Except in two small areas losses were light. In the northern part of the Georgia-Florida belt, dry weather during the growing season resulted in a very spotted crop of lower than average quality. Also in the dark-tobacco area of western Kentucky and western Tennessee, excessive rains and plant disease caused a crop of lower than average yields and of the poorest quality in many years. Heavy losses occurred in this area on each type of tobacco grown—burley, fire-cured, and dark fire-cured. In six counties in these two areas, losses amounted to more than 457 thousand dollars, or 53 percent of the total of all tobacco losses.

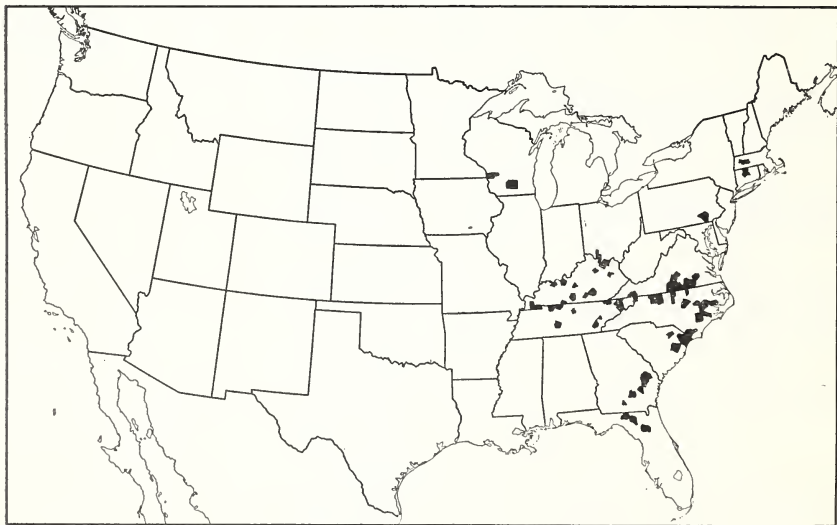


FIGURE 5.—Location of 1951 tobacco insurance counties.

For the 1951 crop year tobacco insurance was offered in 52 old counties and expanded to 17 additional counties, which makes a total of 69. The location and distribution of these counties are shown in figure 5. In 1951 the tobacco insurance, as has been the case since the program was initiated, was well received by farmers with a total of 76,426, or an average of about 1,100 per county, availing themselves

of this protection. The 1951 premium under these contracts will amount to approximately 1.6 million dollars and although in some areas the crop is still subject to additional hazards, it appears that the premiums will exceed indemnities in 1951.

### Corn Insurance

The 1950 crop year was the sixth year of operation of the corn insurance program which was started in 1945 in 15 counties and was expanded gradually to 73 counties for 1950. During this 6-year period the experience under the corn insurance program has been generally the kind of experience that could be expected under the crop conditions for each year. Although in 3 of the 6 years, indemnities have exceeded the premiums, the combined experience for the corn program shows a small balance of premiums over indemnities.

The Corporation's liability in 1950 under the corn insurance program amounted to approximately 20 million dollars, with 32,292 farmers insured. Of this number 3,994 collected indemnities for crop losses totaling 909 thousand dollars, which exceeded the total premiums by 23 percent. The greater part of these losses occurred in the States of Minnesota, North Dakota, South Dakota, and Wisconsin, where unfavorable spring weather caused considerable delay in planting the crop. Although under a normal season the crop might have matured, an August 25 freeze, one of the earliest of record, resulted in widespread losses. Throughout the remainder of the Corn Belt, the crop was generally good and losses were moderate. Details of this experience are shown, by States, in table 6, with the 1949 experience also included for comparison.

For 1951, the corn insurance program was expanded to 25 additional counties making a total of 98 counties where this program is operating. The location and distribution of these counties are shown in figure 6. In these counties, 37,568 farmers have availed themselves of the insurance protection on their corn crops. Premiums will amount to

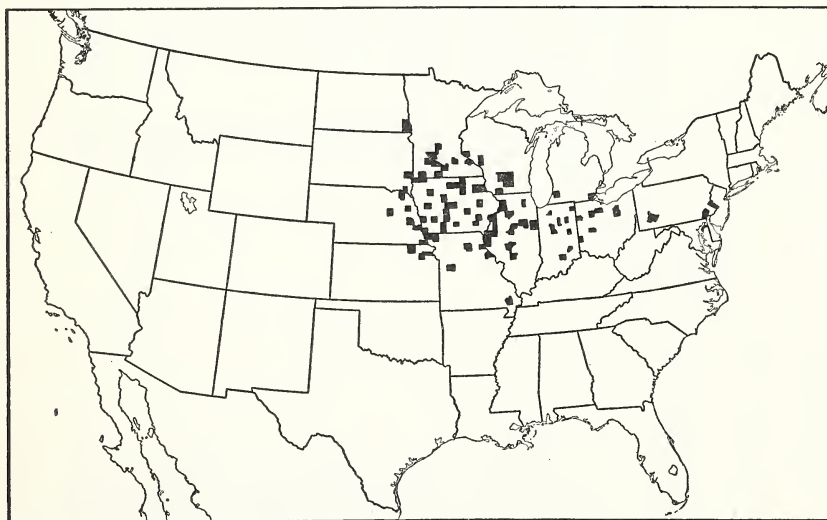


FIGURE 6.—Location of 1951 corn insurance counties.

TABLE 6.—*Corn crop insurance experience, by States, 1949-50*

[As of June 30, 1951]

State and crop year	Counties with insurance program	Con-tracts in force <sup>1</sup>		Crop planted and premium earned							Indem-nities	Surplus or deficit	Loss ratio
		Number	Contracts <sup>1</sup>	Farms <sup>1</sup>	Indem-nities	Insured acreage <sup>2</sup>	Maximum liability <sup>3</sup>	Premi-ums	Indem-nities	Surplus or deficit			
Illinois:	1949	6	2,051	2,521	27	129,282	2,202,962	77,799	5,357	72,442	0.07		
	1950	10	4,734	5,691	214	223,849	3,750,654	138,668	62,294	76,374	.45		
	Indiana:												
1949	4	1,294	1,288	1,598	60	49,846	1,015,979	31,867	10,790	21,077	.34		
1950	6	1,542	1,435	1,791	154	44,034	838,031	28,751	29,324	-573	1.02		
Iowa:													
1949	9	5,518	5,507	6,603	30	369,088	5,570,283	161,042	4,694	156,348	.03		
1950	16	8,385	8,014	9,506	354	403,003	5,980,140	186,402	79,417	106,985	.43		
Kansas:													
1949	2	591	582	775	67	26,951	203,403	14,063	7,860	6,203	.56		
1950	3	857	813	1,103	13	33,673	301,480	22,503	1,485	21,018	.07		
Maryland:													
1949	1	373	368	396	3	15,621	217,998	5,336	285	5,051	.05		
1950	1	367	345	385	0	13,697	185,915	4,609	0	4,609	.00		
Michigan:													
1949	1	323	320	379	17	7,390	145,398	4,247	1,811	2,436	.43		
1950	2	507	455	528	58	8,634	147,042	4,413	5,074	-661	1.15		
Minnesota:													
1949	4	2,914	2,906	3,459	29	172,752	2,740,580	84,880	5,331	79,549	.06		
1950	8	5,060	4,874	5,587	624	198,843	3,117,208	100,072	146,182	-46,110	1.46		
Missouri:													
1949	4	1,145	1,124	1,460	83	45,726	574,233	33,640	10,314	23,326	.31		
1950	6	1,701	1,604	2,056	13	67,056	853,885	50,007	1,108	48,899	.02		



approximately 1.1 million dollars. It is not yet possible to estimate accurately the losses for 1951, since the western Corn Belt has experienced much cool, wet weather. The corn crop in that area has made slow progress toward maturity and as the normal frost dates approached, it became apparent that much of the crop may not reach full maturity.

### Dry Edible Bean Insurance

The insurance on dry edible beans was started in 1948 in 4 counties and was gradually expanded until in 1950, the third year of operation of this program, insurance was provided in a total of 18 counties.

In the 1950 program 5,138 farmers were insured, with the Corporation's liability under these contracts totaling 2.3 million dollars. The total premiums amounted to 104 thousand dollars and indemnities paid to farmers for bean losses amounted to approximately 189 thousand dollars, which was slightly less than double the premiums.

These losses were heaviest in Michigan, which is also the State of highest participation. Crops were planted somewhat earlier than usual and developed rapidly. However, in late July frequent rains which continued until the end of the season destroyed many whole fields and caused such severe damage to others that the crop was not worth harvesting. In New York, following a favorable planting season, a severe infestation of insects developed in July, which was followed by prolonged damp weather, causing heavy damage to the bean crop. Details of the 1950 bean crop insurance experience are shown in table 7, by States, and the 1949 experience is shown for comparison.

In 1951 the program was expanded from 18 counties to a total of 29, the location and distribution of which are shown in figure 7. The program is now operating in all of the important bean producing areas of the Nation with the exception of California. Future expansion of the program will be limited because of the relatively small areas in which bean production is concentrated.

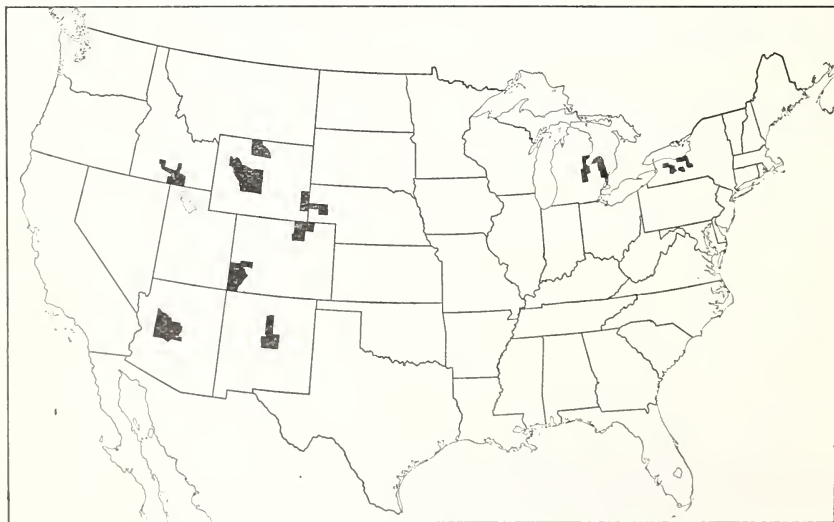


FIGURE 7.—Location of 1951 bean insurance counties.

TABLE 7.—*Dry edible bean crop insurance experience, by States, 1949-50*  
[As of June 30, 1951]

State and crop year	Counties with insurance program	Crop planted and premium earned											
		Con-tracts <sup>1</sup>		Farms <sup>1</sup>		Indem-nities	Insured acreage <sup>2</sup>	Maximum liability <sup>3</sup>	Premi-ums	Indem-nities	Surplus or deficit	Loss ratio	
		Number	Number	Number	Number								Dollars
Arizona: 1950-----	1	29	24	31	1	1,405	43,764	2,189	219	Dollars 1,970	0.10		
Colorado: 1949-----	1	111	97	109	56	3,968	26,784	3,095	5,224	-2,129	1.69		
1950-----	2	616	600	723	60	25,006	531,501	19,684	26,881	-7,197	1.37		
Idaho: 1949-----	1	202	195	224	0	4,708	178,791	5,643	0	5,643	.00		
1950-----	2	402	303	363	32	5,171	162,692	5,380	5,680	-300	1.06		
Michigan: 1949-----	2	1,315	1,271	1,456	90	30,126	535,007	21,406	13,653	7,753	.64		
1950-----	4	1,477	1,334	1,473	630	21,243	326,000	13,634	79,927	-66,293	5.86		
Nebraska: 1950-----	1	643	633	786	73	17,882	397,095	22,049	19,475	2,574	.88		
New Mexico: 1949-----	1	258	236	312	67	36,995	239,447	27,096	21,371	5,725	.79		
1950-----	1	125	42	48	25	5,202	37,755	3,665	9,991	-6,326	2.73		
New York: 1949-----	2	472	425	444	65	7,130	168,098	7,142	11,277	-4,135	1.58		
1950-----	4	1,095	1,010	1,047	166	13,979	353,133	16,952	26,726	-9,774	1.58		
Wyoming: 1949-----	2	551	535	639	45	19,634	589,143	30,647	9,627	21,020	.31		
1950-----	3	751	665	773	80	17,681	440,987	20,662	19,217	1,445	.93		
Indemnities payable: 1950 <sup>4</sup> -----					4				470	-470	-----		
Totals: 1949-----	9	2,909	2,759	3,184	323	102,561	1,737,270	95,029	61,152	33,877	.64		
1950-----	18	5,138	4,611	5,244	1,071	107,569	2,292,927	104,215	188,586	-84,371	1.81		

<sup>1</sup> The number of contracts on which a premium was earned is less than the number of contracts in force because farmers in some years do not plant any acreage of beans. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure repre-

sents number of farms includes duplication where both landlord and tenant are insured.

<sup>2</sup> Includes duplication where both landlord and tenant are insured.

<sup>3</sup> Based on the coverage for harvested acreage.

<sup>4</sup> Estimated.

TABLE 8.—*Multiple crop insurance experience, by States, 1949-50*  
[As of June 30, 1951]

State and crop year	Counties with insurance program	Con-tracts in force <sup>1</sup>	Crop planted and premium earned								Loss ratio
			Con-tracts <sup>1</sup>	Farms <sup>1</sup>	Indem-nities	Insured acreage <sup>2</sup>	Maximum liability <sup>3</sup>	Premi-ums	Indem-nities	Surplus or deficit	
	Number	Number	Number	Number	Acres	Dollars	Dollars	Dollars	Dollars	Dollars	
Alabama: 1950-----	1	1, 021	993	1, 069	75	21, 452	430, 037	17, 870	3, 357	14, 513	0. 19
Arkansas: 1950-----	1	508	453	764	29	45, 552	1, 304, 691	39, 102	5, 444	33, 658	. 14
Colorado: 1950-----	2	725	691	734	223	61, 094	1, 805, 044	50, 637	131, 197	-80, 560	2. 59
Georgia: 1950-----	3	1, 896	1, 869	1, 885	238	75, 073	1, 947, 158	58, 701	53, 919	4, 782	. 92
Illinois: 1950-----	4	745	700	1, 110	192	30, 859	542, 404	18, 188	35, 345	-17, 157	1. 94
Indiana: 1950-----	2	384	377	509	35	14, 141	361, 845	11, 464	9, 102	2, 362	. 79
Iowa: 1950-----	2	1, 023	1, 018	1, 230	39	95, 941	2, 376, 019	57, 521	15, 040	42, 481	. 26
Kansas: 1950-----	6	1, 767	1, 727	2, 231	166	97, 319	1, 171, 499	49, 993	28, 143	21, 850	. 56
Louisiana: 1950-----	2	1, 129	1, 124	1, 158	253	22, 826	758, 270	28, 150	38, 119	-9, 969	1. 35
Maryland: 1950-----	1	269	266	354	4	21, 952	468, 645	8, 802	351	8, 451	. 04
Michigan: 1949-----	1	217	216	258	7	7, 821	121, 786	3, 166	187	2, 979	. 06
1950-----	3	778	730	837	244	23, 547	501, 416	11, 730	41, 235	-29, 505	3. 52
Minnesota: 1949-----	3	1, 677	1, 676	1, 851	20	232, 144	3, 002, 710	89, 969	5, 287	84, 682	. 06
1950-----	8	6, 141	6, 110	6, 992	1, 113	589, 387	9, 932, 525	274, 073	431, 131	-157, 058	1. 57
Mississippi: 1950-----	1	1, 312	1, 285	1, 534	143	25, 587	692, 081	33, 135	13, 083	20, 052	. 39
Nebraska: 1950-----	1	437	431	601	12	27, 616	422, 719	20, 559	2, 140	18, 419	. 10
North Carolina: 1949-----	1	214	212	275	51	13, 833	182, 931	6, 049	7, 302	-1, 253	1. 21
1950-----	1	231	226	297	89	8, 969	226, 120	6, 425	16, 648	-10, 223	2. 59
North Dakota: 1950-----	3	4, 479	4, 439	5, 199	415	755, 862	8, 315, 619	374, 814	212, 082	162, 732	. 57
Ohio: 1950-----	1	256	247	247	27	8, 883	167, 680	3, 473	5, 798	-2, 325	1. 67
Oregon: 1950-----	1	218	203	291	13	13, 040	175, 836	6, 698	2, 033	4, 665	. 30
Pennsylvania: 1950-----	1	285	275	329	16	10, 478	325, 073	7, 363	1, 456	5, 907	1. 20
South Carolina: 1950-----	1	617	613	635	225	24, 547	537, 619	23, 086	33, 974	-10, 888	1. 47

[illegible]

<sup>1</sup> The number of contracts on which a premium was earned is usually less than the number of contracts in force because farmers in some years do not plant any acreage of the insurable commodities. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

<sup>2</sup> Insured acreage for 1949 includes duplication where both landlord and tenant are insured. A comparable figure is not available for 1950. The figure shown represents the product of the total acreage insured and the farmer's interest in the crops.

<sup>4</sup> Estimated.

<sup>4</sup> Estimated.

### Multiple-Crop Insurance

Multiple-crop insurance, started in 1948 in two counties, has expanded until in 1950 protection was provided under this program in 55 counties. Earlier in this report there appears a discussion of the comprehensive nature of this program and its adaptability to different areas of the Nation. In general, the liability under this program is greater in proportion to the premium income than under individual commodity programs. This reflects the lower risk of loss inherent in this program resulting from a combined coverage on several crops and the adjustment of losses on the basis of the total production of all crops.

In the 55 counties where the 1950 program operated, 27,725 farmers were insured with a total liability of 36.3 million dollars. Since these counties are widely distributed over the Nation, there is considerable variation between counties with respect to the county totals of indemnities. Losses were heaviest in the northern Corn Belt States where as discussed in connection with the corn insurance program, an early freeze caused serious damage to the corn crop. Also, in a few southern counties where cotton was the predominant crop unfavorable weather and high insect infestation occurred throughout the growing season and losses were heavy. Indemnities for all counties totaled approximately 1.2 million dollars, or 92 percent of the total premiums. Details of this 1950 experience are shown in table 8, with the 1949 experience included for comparison in those States where the program operated in that year.

Multiple-crop insurance, especially adapted to areas where several crops, rather than one, make the major contribution to farm income, has been well received by farmers. On the basis of this reception, the program was expanded to 40 additional counties in 1951, which makes a total of 95 counties where this program is now operating. Location and distribution of the 1951 counties are shown in figure 8.

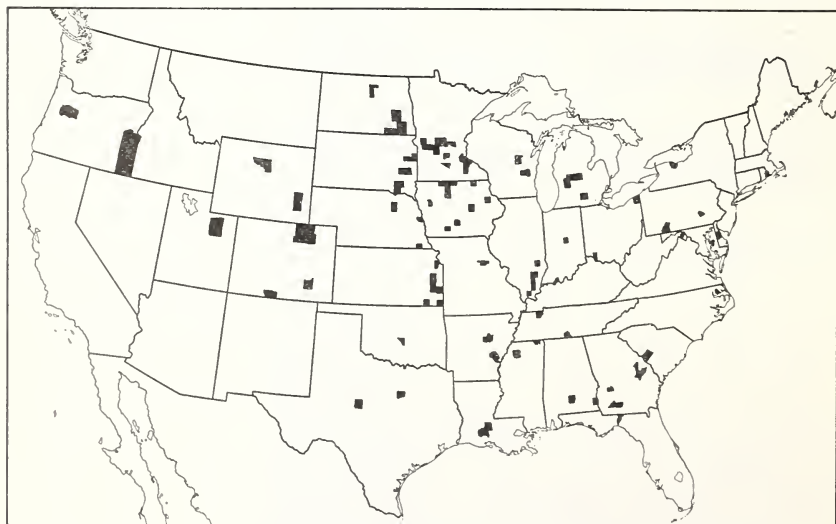


FIGURE 8.—Location of 1951 multiple-crop insurance counties.

## FINANCIAL STATEMENTS

### General Comments

The financial statements consist of a comparative balance sheet (exhibit A, p. 45), reflecting the financial condition of the Corporation at June 30, 1950, and June 30, 1951; an analysis of insurance reserves for the crop years 1948, 1949, and 1950 (exhibit A-1, p. 46); a comparative statement of insurance operations for the crop years 1950 and 1949 (exhibit B, p. 46); and a comparative statement of operating and administrative expenses for the 1951 and 1950 fiscal years (exhibit C, p. 47). The comparative balance sheet does not include administrative funds, which are appropriated on an annual basis to cover operating and administrative expenses, nor does it reflect equipment purchases from such funds.

The financial statements do not reflect transactions relating to insurance premium income and indemnities on the 1951 crops for contracts in force on June 30, 1951, except for insurance premiums paid before maturity dates of premium notes, and early wheat insurance premiums billed and recorded prior to June 30, 1951, less approved indemnity claims covering early losses on the 1951 crops. Such items are classified in the comparative balance sheet as deferred credits and deferred income, as of the close of the fiscal year and are not taken up in the operating accounts until after June 30, 1951.

As mentioned before, premium notes are executed by insured producers with the signing of applications for insurance and they mature about the time the respective crops are harvested. The insurance premiums cannot be determined, however, until after reports of the acreage planted on each insured farm have been obtained. A 5 per cent cash discount is offered to the insureds for the early payment of premiums. If not paid earlier, the premiums are billed and recorded immediately following the maturity dates of the notes. An amendment to the Federal Crop Insurance Act, approved August 25, 1949, authorized gradual expansion of insurance operations, commencing with crops planted for harvest in 1950, and continuing through the crops planted for harvest in 1951, 1952, and 1953.

It is estimated that insurance premiums under the expanded program will approximate 19 million dollars on 1951 insured crops. Substantially all indemnity losses on the 1951 insured crops will be determined and paid subsequent to June 30, 1951.

The following comments are made with respect to the items appearing in the financial statements as of June 30, 1951:

#### **Comparative balance sheet as of June 30, 1951, and June 30, 1950**

(Exhibit A, p. 45)

#### **Cash**

Cash amounting to \$32,973,513.82 was on deposit (or in transit) with the Treasurer of the United States and the Federal Reserve Bank of Chicago as of June 30, 1951. Treasury Department facilities are utilized in making deposits and disbursements. Receipts and disbursements handled by the Chicago Branch Office of the Corporation

are processed through the accounts of the Regional Disbursing Officer of the Treasury Department, the Federal Reserve Bank of Chicago being the depository. Deposits are recorded in a cash clearing account in the branch office until acknowledgment by the regional disbursing office. Receipts and disbursements handled by the Corporation's Washington office are processed through the accounts of the Chief Disbursing Officer of the Treasury Department, Washington, D. C.

### *Accounts receivable*

Insured producers' unpaid accounts, amounting to \$5,313,730.35 as of June 30, 1951, consist chiefly of amounts due from insured producers on crop insurance premium notes. This amount includes also overpayments of indemnities to insured producers; credit items representing overpayments by insured producers which are to be refunded; and unpaid interest due on 1945-50 crop year premium notes paid in full except for accrued interest. Unpaid accounts and premium collection activities for the 1951 fiscal year are summarized as follows:

Balance June 30, 1950, for 1948 and prior crop years-----	\$3, 053, 827. 84	
Collections, adjustments, etc-----	513, 293. 30	
		\$2, 540, 534. 54
Balance June 30, 1950, for 1949 crop year-----	637, 915. 44	
Collections, adjustments, etc-----	396, 737. 88	
		241, 177. 56
1950 crop year premiums-----	14, 319, 349. 45	
Collections-----	13, 613, 554. 10	
		705, 795. 35
1951 crop year premiums recorded-----	3, 198, 925. 17	
Collections-----	1, 372, 702. 27	
		1, 826, 222. 90
Balance June 30, 1951-----		<u>5, 313, 730. 35</u>

Collections, adjustments, etc., applicable to 1949 and prior crop years amounted to \$910,031.18 which is 24.6 percent of the unpaid balances of those accounts, as of June 30, 1950. The unpaid balances for these years at June 30, 1951, amounting to \$2,781,712.10, represents 2 percent of the earned premiums. Collections applicable to the 1950 crop year amounting to \$13,613,554.10, represents 95 percent of the premiums earned for that crop year. The unpaid balances of premium accounts for all crop years prior to 1951, amounting to \$3,487,507.45, represents 2.27 percent of the earned premiums for those crop years.

The Corporation continued its vigilant collection policy during the 1951 fiscal year. Throughout the year positive action was taken to collect outstanding premiums, including the institution of legal proceedings wherever necessary.

The provision for uncollectible accounts amounting to \$2,270,079.24 represents the balance of reserve provisions established as applicable to unpaid balances of premiums on insurance contracts for crop years 1942 through 1950. The increase of \$291,158.98 in the reserve during the year consists of a provision of \$71,600 for 1950 crop year accounts, plus \$300,000 transferred from provision for adjustments (1942-47 crop years), less charges of \$80,441.02 for accounts determined to be uncollectible and written off during fiscal year 1951.

*Accounts payable*

Indemnities payable amounting to \$87,087.47 represent the Corporation's estimated liability to insured producers as of June 30, 1951, for loss claims under 1948, 1949, and 1950 crop insurance contracts that have not been presented to the Corporation for payment. The decrease of \$1,343,972.53 in estimated indemnities payable represents the net decrease in the Corporation's liability during fiscal year 1951.

Returned checks unclaimed—canceled, in the amount of \$4,582.55, consist of amounts due insured producers for which checks issued in payment could not, for various reasons, be delivered to or negotiated by the payees. Such checks are returned to the Corporation and canceled and the amounts thereof are held in this account pending reissuance of substitute checks to proper payees.

*Deferred credits*

Unapplied premium receipts amounting to \$270,752.84 consist of insurance premiums not immediately identified, which are placed in this account until proper application can be made. Included in the account on June 30, 1951, were unapplied receipts representing deductions from 1948 cotton pool proceeds, amounting to \$268,625.22, received from the Production and Marketing Administration for set-off against amounts due from insured producers. Distribution will be made to individual accounts during the 1952 fiscal year.

The balance of advance premium payments amounting to \$2,436,411.42, as of June 30, 1951, represents insurance premiums collected before maturity on 1951 crop year contracts. The increase of \$802,215.78 represents the net increase in premiums collected prior to maturity for crop year 1951, as compared with crop year 1950.

*Deferred income*

Deferred income consists of early 1951 crop year wheat insurance premiums recorded prior to June 30, 1951, less approved indemnity claims for the 1951 crop year as follows:

Premiums recorded (less cash discounts)-----	\$3, 143, 111. 49
Less: Approved indemnity claims-----	709, 291. 04
Net Amount-----	<u>2, 433, 820. 45</u>

The increase of \$568,865.21 in deferred income represents the net increase in this item for crop year 1951 over the preceding crop year.

*Other liabilities*

The provision for surety losses amounting to \$25,000 constitutes a continuing provision for past and future unrecoverable money or property loss due to fire, theft, and other unavoidable causes. This provision for self-insurance has been much more economical than the cost of premiums for employee surety bond protection furnished by private surety companies. Losses amounting to \$24.40 were charged against the provision during the 1951 fiscal year and that amount was restored to the account prior to the close of the fiscal year.

The provision for adjustments was established during the fiscal years 1949 and 1950 as a reserve against which unpaid losses and adjustments for the 1947 and prior crop years could be charged.

The following analysis reflects transfers and charges against the reserve during the 1951 fiscal year:

Balance as of June 30, 1950		\$364, 845. 91
Deduct:		
Amount transferred to provision for uncollectible accounts receivable	\$300, 000. 00	
Charges for losses and adjustments during the fiscal year 1951:		
Premium adjustments, net	4, 266. 90	
Indemnity payments and adjustments, net	2, 773. 14	
		<u>307, 040. 04</u>
Balance June 30, 1951		<u><u>57, 805. 87</u></u>

### *Capital*

Of the \$100,000,000 capital stock authorized, \$27,000,000 was outstanding as of June 30, 1951. There was no change in the capital stock account during the 1951 fiscal year.

Insurance reserves amounting to \$3,700,254.27, represent the excess of insurance premiums and other income over indemnities for crop years 1948, 1949, and 1950, as reflected in the analysis of insurance reserves (exhibit A-1, p. 46). The increase in insurance reserves of \$1,584,628.24 reflects the net increase in such reserves during fiscal year 1951.

### **Analysis of insurance reserves for crop years 1948, 1949, and 1950**

(Exhibit A-1, p. 46)

Exhibit A-1 reflects an analysis of insurance reserves of the Corporation by commodities for the 1948, 1949, and 1950 crop years. Insurance premiums amounting to \$38,741,334.11 (including \$231,981.25 gain from hedging operations in wheat during 1949), less indemnities of \$35,065,485.18 (including \$25,937.50 loss from hedging operations in wheat during 1948), resulted in a surplus of \$3,675,848.93 for the 3 years for all insured commodities, or a loss ratio of 0.91. After adding other income (net) of \$24,405.34, the insurance reserves for the crop years 1948, 1949, and 1950 amounted to \$3,700,254.27. Other income and expense is composed of the following:

Other income:		
Interest income	\$281, 737. 72	
Storage income	128, 753. 61	
Nonrefundable credits	3, 074. 68	
		<u>\$413, 566. 01</u>
Other expense:		
Provision for uncollectible accounts (net)	182, 111. 82	
Debt cancellations	10, 588. 18	
Cash discount	196, 460. 67	
		<u>389, 160. 67</u>
Other income and expense (net)		<u><u>24, 405. 34</u></u>

### **Comparative Statement of Insurance Operations**

(Exhibit B, p. 46)

Exhibit B sets forth a statement of insurance operations by commodities as of June 30, 1951, for crop year 1950 and comparison with crop year 1949. This statement shows for the 1950 crop year premium income of \$14,319,349.45 and indemnities amounting to \$12,748,707.73, resulting in a premium surplus of \$1,570,641.72 for

that crop year. After taking into consideration items of other income and expense, a surplus of \$1,491,998.75 is indicated.

### Operating and Administrative Expenses

(Exhibit C, p. 47)

Exhibit C reflects a comparison of operating and administrative expenses for the 1951 and 1950 fiscal years. The increase in total expenses, amounting to \$875,913.67 for the fiscal year 1951, compared with that for fiscal year 1950, reflects further increase in cost of administration resulting from gradual expansion of the insurance programs commencing with crops planted for harvest in 1950, and continuing through crops planted for harvest in 1951, 1952, and 1953, as provided in the Crop Insurance Act, as amended (Public Law 268—81st Cong., approved August 25, 1949).

### Exhibit A

#### Comparative balance sheet as of June 30, 1951, and June 30, 1950

ASSETS			
	June 30, 1951	June 30, 1950	Increase or decrease (—)
Cash.....	\$32,973,513.82	\$31,593,343.74	\$1,380,170.08
Accounts receivable:			
Insured producers.....	5,313,730.35	4,829,353.98	484,376.37
Less: Provision for uncollectible accounts.....	2,270,079.24	1,978,920.26	291,158.98
Net amount.....	3,043,651.11	2,850,433.72	193,217.39
Total assets.....	36,017,164.93	34,443,777.46	1,573,387.47
LIABILITIES AND CAPITAL			
Accounts payable:			
Indemnities payable—estimated.....	\$87,087.47	\$1,431,060.00	—\$1,343,972.53
Returned checks unclaimed—canceled.....	4,582.55	4,003.98	578.57
Due administrative funds.....	1,450.06	602.69	847.37
Total accounts payable.....	93,120.08	1,435,666.67	—1,342,546.59
Deferred credits:			
Unapplied premium receipts.....	270,752.84	3,487.97	267,264.87
Advance premium payments.....	2,436,411.42	1,634,195.64	802,215.78
Total deferred credits.....	2,707,164.26	1,637,683.61	1,069,480.65
Deferred income:			
1951 crop year premiums, net (less approved indemnity claims).....	2,433,820.45	1,864,955.24	568,865.21
Other liabilities:			
Provision for surety losses.....	25,000.00	25,000.00	-----
Provision for adjustments (1942-47 crop years).....	57,805.87	364,845.91	—307,040.04
Total other liabilities.....	82,805.87	389,845.91	—307,040.04
Total liabilities.....	5,316,910.66	5,328,151.43	—11,240.77
Capital:			
Capital stock authorized.....	100,000,000.00	100,000,000.00	-----
Less: Unissued stock.....	73,000,000.00	73,000,000.00	-----
Capital stock outstanding.....	27,000,000.00	27,000,000.00	-----
Insurance reserves:			
Wheat.....	4,186,877.01	—27,647.79	4,214,524.80
Cotton.....	—4,020,021.54	—719,753.96	—3,300,267.58
Flax.....	1,383,610.19	1,092,405.39	291,204.80
Corn.....	684,871.07	853,111.40	—168,240.33
Tobacco.....	1,235,595.61	621,298.12	614,297.49
Beans.....	—27,436.77	56,256.04	—83,692.81
Multiple crop.....	232,353.36	136,908.52	95,444.84
Undistributed.....	24,405.34	103,048.31	—78,642.97
Total insurance reserves, exhibit A-1.....	3,700,254.27	2,115,626.03	1,584,628.24
Total capital.....	30,700,254.27	29,115,626.03	1,584,628.24
Total liabilities and capital.....	36,017,164.93	34,443,777.46	1,573,387.47

## Exhibit A-1

*Analysis of insurance reserves for crop years 1948, 1949, and 1950*

Commodity	Premiums	Indemnities	Surplus or deficit (—)	Loss ratio
Wheat.....	<sup>1</sup> \$24,698,674.63	<sup>2</sup> \$20,511,797.62	\$4,186,877.01	0.83
Cotton.....	4,831,964.05	8,851,985.59	-4,020,021.54	1.83
Flax.....	2,926,973.17	1,543,362.98	1,383,610.19	.53
Corn.....	1,763,066.63	1,078,195.56	684,871.07	.61
Tobacco.....	2,859,758.60	1,624,162.99	1,235,595.61	.57
Beans.....	231,640.07	259,076.84	-27,436.77	1.12
Multiple crop.....	1,429,256.96	1,196,903.60	232,353.36	.84
Total.....	38,741,334.11	35,065,485.18	3,675,848.93	.91
Other income and expense, net.....			24,405.34	
Total insurance reserves (exhibit A).....			3,700,254.27	

<sup>1</sup> Includes gain from hedging operations, amounting to \$231,981.25.<sup>2</sup> Includes loss from hedging operations, amounting to \$25,937.50.

## Exhibit B

*Comparative statement of insurance operations for crop years 1950 and 1949, as of June 30, 1951*

Item	Crop Year		Increase or decrease (—)
	1950	1949	
Premiums:			
Wheat.....	\$8,403,596.76	<sup>1</sup> \$7,714,437.31	\$689,159.45
Cotton.....	1,840,665.15	1,580,701.67	259,963.48
Flax.....	497,269.66	882,961.02	-385,691.36
Corn.....	741,061.30	586,769.36	154,291.94
Tobacco.....	1,463,635.83	740,664.04	722,971.79
Beans.....	104,215.18	95,028.81	9,186.37
Multiple crop.....	1,268,905.57	136,585.20	1,132,320.37
Total.....	14,319,349.45	11,737,147.41	2,582,202.04
Indemnities:			
Wheat.....	4,292,750.60	11,209,408.62	-6,916,658.02
Cotton.....	5,129,578.48	3,117,381.93	2,012,196.55
Flax.....	205,257.74	543,008.88	-337,751.14
Corn.....	908,728.70	95,069.08	813,659.62
Tobacco.....	850,387.92	489,118.43	361,269.49
Beans.....	188,586.34	61,152.05	127,434.29
Multiple crop.....	1,173,417.95	22,098.72	1,151,319.23
Total.....	12,748,707.73	15,537,237.71	-2,788,529.98
Premium surplus (—deficit).....	1,570,641.72	-3,800,090.30	5,370,732.02
Other income and expense:			
Interest income.....	145,020.51	136,717.21	8,303.30
Storage income.....	42,236.58	86,517.03	-44,280.45
Nonrefundable credits.....	2,160.61	914.07	1,246.54
Provision for uncollectible accounts.....	-67,076.42	-51,535.40	15,541.02
Debt cancellations.....	-4,523.58	-6,064.60	-1,541.02
Cash discount.....	-196,460.67		196,460.67
Surplus (—deficit).....	1,491,998.75	-3,633,541.99	5,125,540.74
1950 surplus, as above.....		1,491,998.75	
1948 surplus.....		5,841,797.51	
Insurance reserves (exhibit A).....		3,700,254.27	

<sup>1</sup> Includes gain from hedging operations amounting to \$231,981.25.

## Exhibit C

**Comparative statement of operating and administrative expenses  
for the 1951 and 1950 fiscal years, as of June 30, 1951**

Description	Fiscal year		Increase or decrease(—)
	1951	1950	
Operating and administrative expenses:			
Personal services.....	\$2,675,322.01	\$2,355,499.25	\$319,822.76
Travel.....	585,721.92	536,268.19	49,453.73
Transportation of things.....	15,783.06	15,236.22	546.84
Communication services.....	26,323.86	31,023.92	—4,700.06
Rents and utility services.....	182,492.52	173,421.96	9,070.56
Printing and binding.....	133,557.89	80,196.14	53,361.75
Other contractual services.....	35,045.91	19,978.08	15,067.83
Insurance contract sales commissions.....	448,494.72	579,734.50	—131,239.78
Commodity purchase expense.....		5,000.00	—5,000.00
Coverage and rate analysis expense.....	118,078.00	82,000.00	36,078.00
Premium collection expense.....	226,225.37	131,468.24	94,757.13
Contract sales and servicing expense.....	1,119,714.00	686,679.55	433,034.45
Audit expense.....	11,066.71	11,708.04	—641.33
Supplies and materials.....	49,110.12	53,476.13	—4,366.01
Social Security.....	6,486.05		6,486.05
Total expenses (excluding equipment purchases).....	5,633,422.14	4,761,690.22	871,731.92
Equipment purchases.....	27,916.66	23,734.91	4,181.75
Total expenses.....	5,661,338.80	4,785,425.13	875,913.67





